Ending the Energy Stalemate

A Bipartisan Strategy to Meet America's Energy Challenges

National Commission on Energy Policy Climate Policy Recommendations

Dave Conover

National Commission on Energy Policy

National Commission on Energy Policy

- Launched in 2002 by charitable foundations
- 35 independent research analyses
- Final Report Issued December 2004

Overarching Goal: Ensuring ample, clean, reliable, and affordable energy for the 21st Century while responding to growing concerns about the nation's energy security and the risks of global climate change.

National Commission on Energy Policy

The Commissioners

John Holdren (co-chair)
Teresa and John Heinz Professor of Environmental Policy, Harvard University; Director of the Woods Hole Research Center

William K. Reilly (co-chair)
Founding Partner, Aqua International Partners; former Administrator, U.S. Environmental Protection Agency

John W. Rowe (co-chair)
Chairman and CEO, Exelon Corporation

Philip Sharp (congressional chair)
President, Resources for the Future; Former Congressman, Indiana

Marilyn Brown
Interim Director of Oak Ridge National Laboratory's Engineering Science and Technology Division

Ralph Cavanagh
Co-Director, Energy Program, Natural Resource Defense Council

Rodney Ellis
State Senator, Texas

Leo W. Gerard
International President, United Steelworkers of America

Robert E. Grady
Managing Partner, Carlyle Venture Partners, The Carlyle Group; former Executive Associate Director of the Office of Management and Budget (OMB)

F. Henry Habicht
CEO, Global Environment & Technology Foundation; former Deputy Administrator of the U.S. Environmental Protection Agency

Frank Keating
CEO of the American Council of Life Insurers; former governor of Oklahoma

Richard A. Meserve
President of the Carnegie Institution; former Chairman of the U.S. Nuclear Regulatory Commission (NRC)

Mario Molina
Professor, University of California, San Diego

Sharon L. Nelson
Chief, Consumer Protection Division, Washington Attorney's General Office; Chair, Board of Directors, Consumers Union

Richard L. Schmalensee
Professor of Economics and Management at the Massachusetts Institute of Technology (MIT) and the John C Head III Dean of the MIT Sloan School of Management

Susan Tierney
Managing Principal, The Analysis Group; former Assistant Secretary of Energy

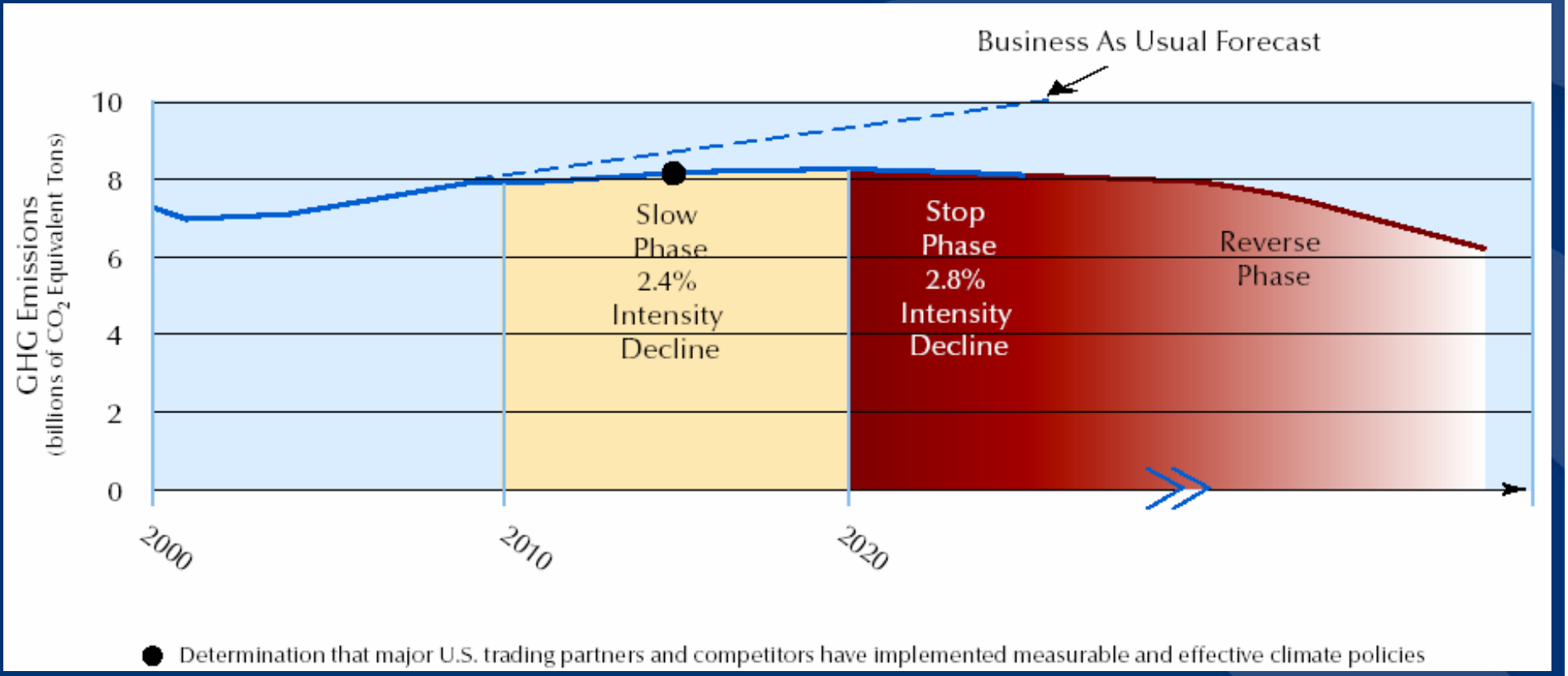
R. James Woolsey
Vice President, Booz, Allen, Hamilton; former Director of Central Intelligence

Martin Zimmerman
Clinical Professor of Business, Ross School of Business, University of Michigan; Group Vice President, Corporate Affairs, Ford Motor Company (2001 - 2004)

NATIONAL COMMISSION ON ENERGY POLICY

Reducing Risks from Climate Change

The Commission's recommendation is to slow, stop, and eventually reverse U.S. greenhouse gas emissions.



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Ecological Considerations

- Climate Change is a Century Scale Problem;
- Continued volunteerism is not a credible response;
- Combine Market Signal & Technology Incentives;
- Adopt robust program architecture ASAP that will evolve over time;
- Recapture ability to effectively engage developing countries.

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Economic & Political Considerations

- Limit premature retirement of otherwise valuable energy infrastructure;
- Address economic anxiety through cost cap aka the “Safety-Valve”;
- Link strengthening program to international efforts;
- Accelerate low carbon technology through significant increase in research, development and deployment incentives;
- Design equitable allowance distribution.

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Reducing Risks from Climate Change

- Initiate in 2010 a mandatory, economy-wide, tradable-permits system to limit greenhouse gas emissions.
- Cap initial costs to the U.S. economy at $7 per metric ton of CO_2-equivalent via a "safety valve" mechanism. 5% nominal increase in cost cap annually.
- Link subsequent U.S. action with comparable efforts by other developed and developing nations via a program review in 2015 and every five years thereafter.

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Impacts of Commission Proposal

- EIA: “No material impact on economic growth.”
- Compared to BAU, natural gas and electricity prices would be expected to rise by 5%-7% in 2020.
- Gasoline prices would increase by approximately 6 cents per gallon.
- Most dramatic impacts on coal and renewables.
- Coal use would decline by 9% relative to BAU, but would still grow 16% over current levels in absolute terms.
- By 2025, contribution from non-hydro renewables would more than double compared to BAU (to 10% of total generation).

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